GREAT PLAINS DEVELOPMENT COMPANY OF CANADA, LTD. ANNUAL REPORT 1971

GREAT PLAINS DEVELOPMENT COMPANY OF CANADA, LTD.

The Annual Meeting of Shareholders will be held at 10:15 a.m., Tuesday, March 28, 1972, in the Montcalm Room, Chateau Frontenac, Quebec City, Quebec.

CONTENTS

COVER

Drilling in west-central Alberta is often conducted in picturesque settings such as this.

HIGHLIGHTS

FINANCIAL	1971	1970	Percent Change
Revenue	**$11,659,000**	$10,722,000	+ 9
Cash generated from operations	**$ 8,263,000**	$ 7,675,000	+ 8
Per share	**$ 2.58**	$ 2.40	+ 8
Net earnings, after provision for deferred income taxes	**$ 4,374,000**	$ 4,225,000	+ 4
Per share	**$ 1.37**	$ 1.32	+ 4
Dividend	**$ 1,281,000**	$ 1,279,000	–
Per share	**$ .40**	$ .40	–
Capital expenditures	**$12,157,000**	$ 9,130,000	+33
Shares outstanding	**3,201,664**	3,197,914	–

OPERATING			
Oil and gas liquids production, net barrels	**3,302,000**	3,253,000	+ 2
Daily average	**9,047**	8,912	+ 2
Gas sales, net millions of cubic feet	**10,211**	9,379	+ 9
Daily average	**28.0**	25.7	+ 9
Sulphur sales, net long tons	**10,500**	11,900	–12
Oil and gas liquids reserves, net barrels	**58,173,000**	55,424,000	+ 5
Reserve life, years at current production rates	**18**	17	+ 6
Gas reserves, net millions of cubic feet	**416,000**	367,000	+13
Reserve life, years at current production rates	**41**	39	+ 5
Sulphur reserves, net long tons	**375,000**	380,000	– 1
Oil and gas land holdings, net acres	**8,268,000**	5,867,000	+41

PRESIDENT'S REPORT

1971 – ANOTHER RECORD YEAR

It is a pleasure to report the results of Great Plains' 1971 activities. For the fifth consecutive year, the Company's revenue, cash generated and net earnings reached new highs. Production was at record volumes, while reserve additions were greater than sales of oil, gas liquids and natural gas.

Full details of the Company's financial and operating results appear later in this report.

FOR GREAT PLAINS – SEVERAL HIGHLIGHTS

Gas price increase – An event of special significance to Great Plains and the industry occurred late in 1971, when an arbitration decision increased the price of gas from the Calgary-Crossfield field by approximately 25 percent. The sales price of 17.25 cents per thousand cubic feet was increased by 4.4 cents on January 1, 1972 and will rise a further one cent per thousand cubic feet each year through 1975. Interestingly, a minority opinion of the arbitrators suggested that this increase was too low. The increase, which will yield Great Plains a small amount of additional gas revenue in 1972, establishes an important precedent for other gas price negotiations. Approximately 75 percent of the Company's gas production will be subject to price renegotiation in 1972 and 1973.

Harmattan-Elkton gas sales to begin – In 1971, the Energy Resources Conservation Board approved an application for limited gas production from the Harmattan-Elkton field. Sales will commence as soon as production facilities are completed in late 1972 or early 1973. The initial rate, which will be only a small portion of the field's potential, will add $250,000 per annum to Company revenue. Progressively greater sales from Harmattan-Elkton are anticipated in future years and an application has also been made for approval of gas sales from the nearby Harmattan East pool.

Producing properties acquired – Effective December 1, 1971, the Company purchased privately-owned oil and gas producing properties in Alberta for $2,538,000. An initial payment of $625,000 was made in December, 1971, and the $1,913,000 interest-free balance is payable in late 1972. This acquisition included a 35 percent interest in 7,000 acres in the Drumheller area and a 20 percent interest in 41,000 acres at Jenner. The new properties will add approximately $350,000 of production revenue in 1972.

Athabasca Tar Sands – Higher crude prices and rapidly growing demand for energy are causing more attention to be given to the large potential of the Athabasca Tar Sands. During the year, the Alberta Government approved construction of a second tar sands plant which is scheduled to produce 125,000 barrels daily by 1976. The Company has a 50 percent interest in a 50,000-acre tar sands lease, located across the river from the plant now on production and within six miles of the plant recently approved.

Exploration in the Arctic – During the year, the Company acquired a further 3.5 million acres of exploratory permits in the Arctic Islands. Background data for this acquisition was obtained from Russian geological maps. This new onshore acreage extends 250 miles along the east edge of Ellesmere Island and increases the Company's Arctic holdings to nearly five million net acres.

Drilling commitments have been fulfilled on the Company's Arctic acreage farmed out to Panarctic Oils. There are, however, five undrilled option blocks on which further drilling activity is anticipated and to earn rights Panarctic must commence drilling on these blocks by the end of 1973.

A 13,000 foot test at Romulus, 25 miles northeast of Fosheim, is well-situated for Great Plains. The well, which is now drilling, is only 1½ miles from the Company's Eureka central block.

FOR THE INDUSTRY – A YEAR OF GOVERNMENT ATTENTION

The immense flow of new and proposed government legislation was a heavy burden on the petroleum industry. As the year came to a close, there were signs that at least some governmental attention might be diverted in other directions, and if this be correct it will be a welcome respite.

During the year, there was an extensive review of federal land regulations that will have an important bearing on the industry's willingness to expend risk capital in the Far North and offshore. As long as the amendments being drafted are non-retroactive there will be continuing interest in frontier exploration.

Land use regulations will require additional cash outlay by the industry. Pollution control standards will have a similar effect. Great Plains fully supports realistic measures that will protect our environment and living conditions, but the costs of pollution controls must be recognized. These costs will ultimately be paid by all Canadians, as taxpayers and consumers. Authorities must differentiate between measures that are meaningful and those that, although politically dramatic, have little real benefit for the costs involved.

The tax reform bill and other legislation caused a climate of uncertainty, some of which still prevails. Foreign investment regulations, the Competition Act and others are yet to be resolved. Hopefully, this will be done in a timely and realistic manner, so that the industry can concentrate on its objective – finding large supplies of oil and gas to meet the ever-increasing demand for energy.

Although there has been a noticeable lack of major discoveries in Western Canada during the past few years, the frontier areas have recently demonstrated their potential. Discoveries at Sable Island off the East Coast, at Kristoffer Bay in the Arctic Islands and major strikes in the Mackenzie Delta all confirm that there are still substantial oil and gas reserves to be discovered in Canada.

DIRECTORS AND EMPLOYEES

At the Annual Meeting of Shareholders held on March 23, 1971, Mr. J. Desmond Dewhurst was elected to the Board of Directors, replacing Dr. Kenneth V. Stringer.

It is with regret that we record the death of Mr. Robert P. Smith on May 28, 1971. A director of the Company since 1961, Mr. Smith will be greatly missed by his colleagues on the Board.

The employees are to be commended on their skills and dedication. Their efforts have been most important to the results achieved.

On behalf of the Board,

DAVID E. MITCHELL
President

Calgary, Alberta
February 2, 1972

EXPLORATION REVIEW

OIL AND GAS

During 1971, Great Plains' expenditures for oil and gas exploration totalled $3,752,000. Of the total exploration funds, $2,699,000 was expended in the Northern Oil joint venture and $1,053,000 on Great Plains' properties held outside that program.

Northern Oil Explorers operates with an annual budget of $7,500,000 for oil and gas exploration and is financed 40 percent by Great Plains, 40 percent by Barber Oil Corporation and 20 percent by Noranda Mines Limited. Acreage holdings and all other applicable data in this report include Great Plains' share of this joint exploratory venture.

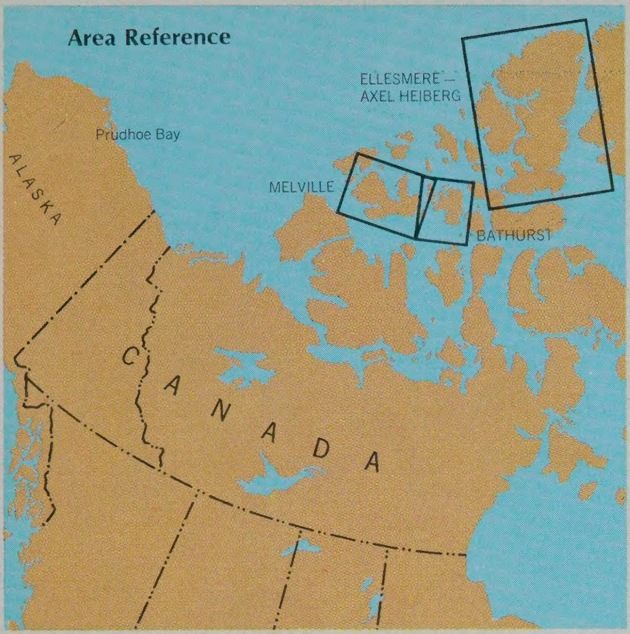
Arctic Islands

During the year, drilling operations, representing expenditures of approximately $10 million by others, were conducted on the Company's Arctic Island holdings. The drilling involved four deep tests, one on each of Melville, Cornwallis, Lougheed and Ellesmere Islands. All of these wells were abandoned. Although this completes the drilling commitments on Great Plains' Arctic holdings, Panarctic has options until December 31, 1973, to drill five further wells to earn interests in additional Company lands. Two of these options are on structures in the Eureka area, each of which requires a 14,000 foot test. Two other options are on Bathurst Island and one on Melville Island.

In 1972, a program of geological and geophysical evaluation is being planned on the newly acquired exploratory permits, totalling 3.5 million acres, on the east edge of Ellesmere Island.

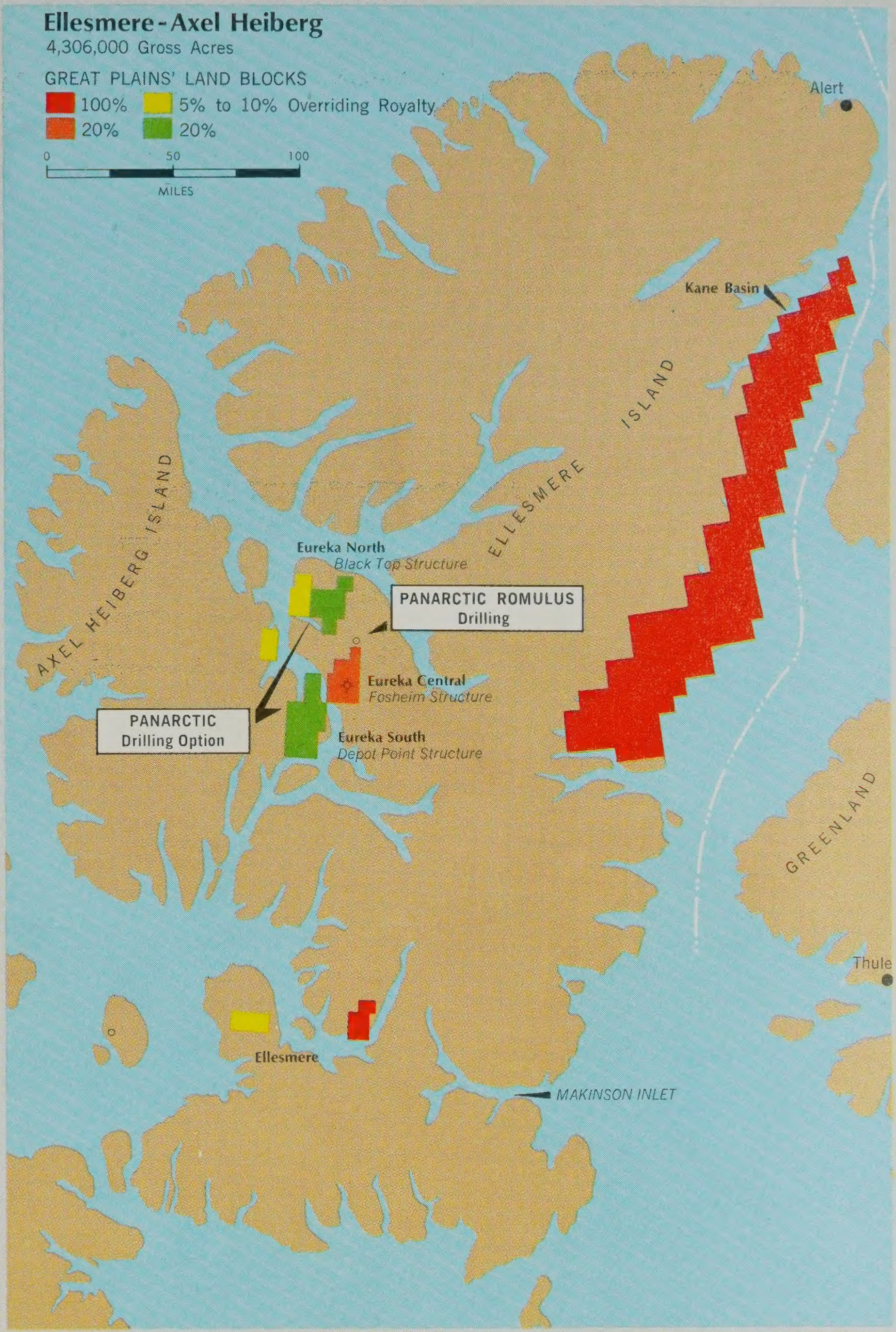
As a result of encouragement to date in the Arctic, industry groups and a government task force are studying methods for transporting oil and gas out of the Far North. A number of possible pipeline routes are being considered for inter-island and overland transport across the Canadian mainland to markets in the south. Another study considers Makinson Inlet on eastern Ellesmere Island as a possible shipping point for oil and gas discovered in the eastern Arctic.

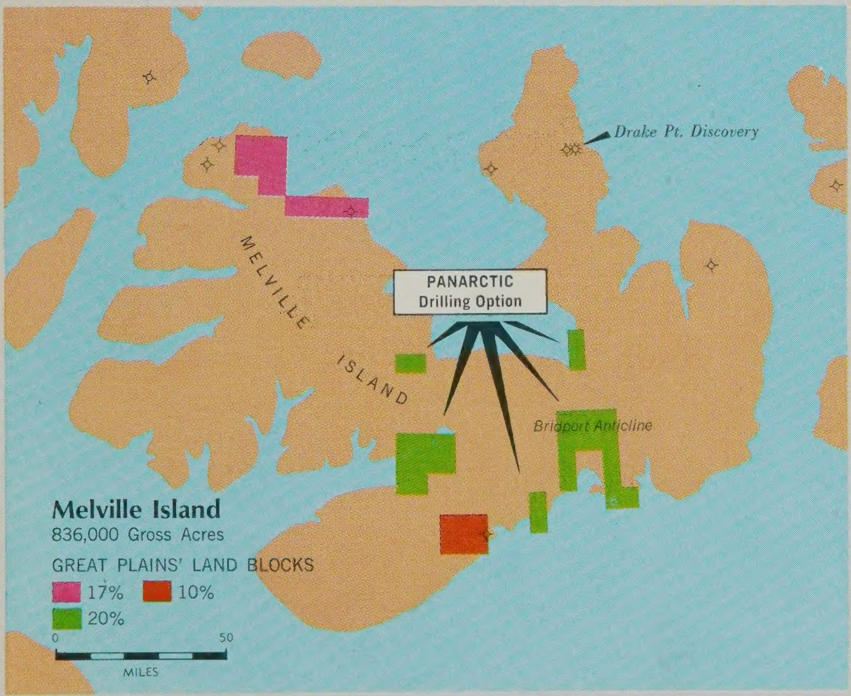
Interest in the Arctic gained new momentum with the gas discovery on Ellef Ringnes Island, the third major discovery in 29 wells drilled to date in this vast area. There are presently 9 rigs operating in the Arctic Islands and the industry is expected to spend approximately $200 million for Arctic work in the next five years. With its substantial land holdings, the Company is well represented in this frontier area of high potential.

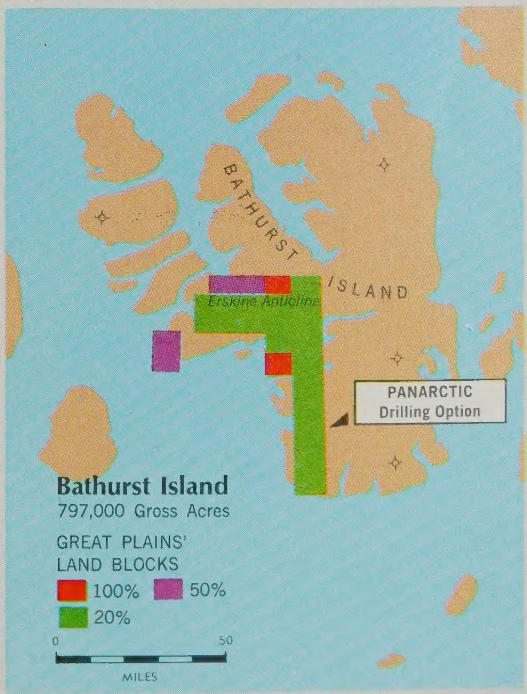



A touch of color sprouts from the bleak Arctic terrain.

% – Great Plains' combined working and carried interests after deducting all partner's interests and assuming that all earning and option wells are drilled by Panarctic.







Gaspé – Quebec

The first well on the Company's land in Quebec will be drilled near Riviere du Loup, approximately 140 miles northeast of Quebec City. Equipment has been shipped by rail from Western Canada to the wellsite and drilling will begin early in 1972. The well, which will cost approximately $1.5 million, will be drilled to an estimated total depth of 13,000 feet. Great Plains owns a 20 percent interest in the well and in 3.7 million acres in the Gaspé area.

During the year, an additional 957,000 gross acres of exploratory lands were acquired and a further 250 miles of seismic conducted at Gaspé. To date the Company and its partners have spent nearly $1.0 million on seismic operations in Quebec.

Gaspé is a relatively untested frontier area. The nearest exploratory well drilled below 4,000 feet is 80 miles from the Company's location and only 34 wells have ever been drilled below this depth in all of Quebec. As the area is within a few hundred miles of large urban and industrial centers, any large discovery of hydrocarbons would have excellent marketability.

WELLS DRILLED IN QUEBEC

To December 31, 1971

Range of Depth	Shows of Gas or Oil	No Shows	Total
500′ to 4000′	127	87	214
Below 4000′	18	16	34
	145	103	248

Western Canada

During the 1971-72 winter drilling season, the Company will participate in at least 22 exploratory wells in Alberta and Saskatchewan. At year-end, 8 wells were drilling on Company acreage.

Mainland – Northern Canada

Reports of indicated gas reserves in the Mackenzie Delta, already in the order of 15 trillion cubic feet, have quickened the exploration tempo on the mainland of northern Canada. Not included in the acreage tabulation on Page 7 are 1.5 million gross acres located east of the Mackenzie Delta in the Horton River Area, south of Franklin Bay. Under the terms of an option taken in January 1972, the Company can earn up to a 20 percent interest in this large block by conducting exploration work in the area.

In the Old Crow area of the Yukon Territory, Great Plains has a 40 percent interest in two million acres. This land, on the Alaska-Yukon border, is favorably located for pipelines from Alaska or the Mackenzie Delta.

The drilling rig at Gaspé is the largest ever used by the Company.

OIL AND GAS LAND HOLDINGS – DECEMBER 31

	1971		1970	
	Gross Acres(1)	Net Acres(2)	Gross Acres	Net Acres(2)
PETROLEUM AND NATURAL GAS LEASES				
Alberta	**1,669,000**	**539,000**	1,619,000	514,000
British Columbia	**60,000**	**18,000**	57,000	16,000
Saskatchewan	**488,000**	**49,000**	497,000	47,000
Manitoba	**1,000**	**1,000**	3,000	2,000
Ontario	–	–	82,000	–
Yukon and Northwest Territories	**122,000**	**55,000**	122,000	55,000
RESERVATIONS, PERMITS & LICENSES (3)				
Alberta	**688,000**	**209,000**	774,000	277,000
British Columbia	**449,000**	**97,000**	305,000	80,000
Saskatchewan	**405,000**	**119,000**	666,000	185,000
Quebec	**3,683,000**	**737,000**	2,726,000	545,000
Yukon and Northwest Territories	**3,304,000**	**1,384,000**	4,419,000	1,835,000
Arctic Islands	**7,906,000**	**4,863,000**	4,448,000	2,049,000
Offshore, East Coast	**656,000**	**197,000**	656,000	262,000
TOTAL	**19,431,000**	**8,268,000**	16,374,000	5,867,000

(1) Excludes 250,000 acres held under options.

(2) Excludes royalty interests in approximately 732,000 acres.

(3) Leases may be selected on at least 50 percent of this acreage.

Extensions and Discoveries

Small gas discoveries were made in the Scandia and Gull Lake areas of Alberta and at Woodpile in southwestern Saskatchewan. Step-out drilling in these areas is in progress or being planned.

A step-out well at Crossfield near Calgary was completed with a 62 foot gas zone in the upper Mississippian formation and two additional gas wells were drilled at Bistcho Lake in northern Alberta.

Great Plains has a 20 percent interest in 28,500 acres of land on trend with development in the Grand Forks oilfield in southern Alberta. As the nearest well in this new field is now within one mile of the Company's holdings, drilling may be conducted on this acreage in 1972.

An exploratory well drilled at James River, near Strachan - Ricinus in Alberta, on penetrating the Banff formation, flowed sweet gas at an estimated rate of 10 million cubic feet per day. For mechanical and safety reasons it was necessary to abandon the original well and at year-end a replacement well was drilling at 8,500 feet.

WELLS DRILLED

	1971		1970	
	Gross	**Net**	**Gross**	**Net**
Exploratory				
Oil	**1**	**.1**	7	.4
Gas	**11**	**2.7**	8	4.7
Dry	**50**	**9.4**	48	10.1
Total	**62**	**12.2**	63	15.2
Average Depth	**5,700 feet**		4,800 feet	
Development				
Oil	**16**	**1.7**	25	3.7
Gas	**6**	**4.2**	6	1.6
Dry	**2**	**.3**	8	1.3
Total	**24**	**6.2**	39	6.6
Average Depth	**5,000 feet**		5,400 feet	

Preparing to raise the drilling derrick at Gaspé.


R.14
R.13
R.12
W.4
T. 12
Grand Forks
Oilfield
South
Saskatchewan
River
T. 11
T. 10
Grand Forks
GREAT PLAINS'
LAND HOLDINGS
0
5
MILES
R.10
R.9
R.8
R.7
W.4
T. 94
T. 93
Proposed
Syncrude Plant
Great Canadian
Oil Sands' Plant
T. 92
Athabasca
River
T. 91
Athabasca Tar Sands Area
GREAT PLAINS'
LAND HOLDINGS
T. 90
0
5
MILES
ATHABASCA
ALBERTA
GRAND
FORKS

MINING

Mining exploration activities in 1971 were concentrated in Ontario, British Columbia and in the Northwest Territories. Expenditures for mining exploration during the year totalled $798,000 as compared to $842,000 in 1970.

Airborne electromagnetic and magnetometer surveys were conducted over 1,200 square miles of Greenstone Belts in northwestern Ontario and in the Northwest Territories. Nearly 1,400 claims were staked covering anomalies defined by these surveys and ground follow-up has discovered some copper mineralization. A diamond drilling program in the Horseshoe Lake area of Ontario began in 1971 and will continue in 1972. Ground geophysical crews operating in the Snare River area of the Northwest Territories have established a number of drilling targets. These are also expected to be drilled in 1972.

In northern British Columbia, exploration programs continued on the Company's holdings in the Stikine and Omineca River areas. Geochemical reconnaissance programs discovered copper and molybdenum occurrences and 189 additional claims were staked to cover the areas of interest.

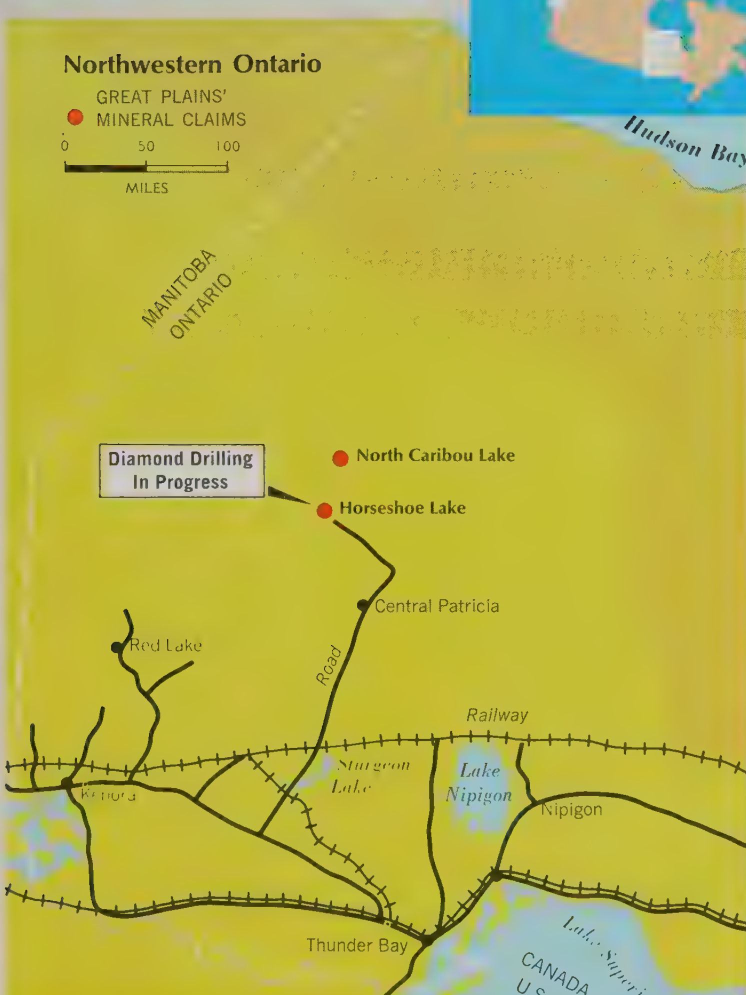
Uranium exploration activity declined in Saskatchewan and all permits were allowed to lapse. Additional work will be done in 1972 on some of the claim blocks still held near Wollaston Lake.

Follow-up programs on the Company's ground on the East Arm of Great Slave Lake in the Northwest Territories discovered a fluorite showing. The occurrence also contains some lead and molybdenum with minor amounts of copper. Further work in this area will be carried out in the 1972 field season.

The Company has elected to discontinue participation in certain joint ventures in the Yukon Territory and New Brunswick but has retained a small carried interest in both areas.

MINERAL LAND HOLDINGS

	December 31, 1971	
	Gross Acres	Net Acres
British Columbia	23,600	15,900
Ontario	33,200	33,200
Northwest Territories	46,100	37,700
Saskatchewan	17,500	16,900
	120,400	103,700



Company geologists examine mineralization in drill core.

Aircraft such as this were used by the Company to conduct airborne geophysical surveys in Ontario and the Northwest Territories.

Conducting a ground geophysical survey in Northwestern Ontario.

PRODUCTION REVIEW

Crude Oil and Natural Gas Liquids

Net production of crude oil and natural gas liquids increased for the fourth consecutive year. Production rose to a record level of 9,047 barrels a day, up 135 barrels a day from the previous year. Although a few of the Company's properties do have productivity in excess of the allowables, most properties, including Pembina which accounts for 49 percent of the oil production, are presently producing at near maximum rates.

During the year, the Company received an average wellhead price of $2.69 per barrel for crude oil and gas liquids, up 22 cents from the prior year's average. This gain results from a crude price increase in December, 1970.

Producing properties purchased in the Drumheller and Jenner areas near the end of 1971 will add new oil production of approximately 330 barrels per day in 1972.

Natural Gas and Sulphur

Natural gas sales increased for the tenth consecutive year, averaging 28.0 million cubic feet per day, up 2.3 million cubic feet, or 9 percent over 1970. The major part of this increase is attributable to the enlarged Minnehik-Buck Lake plant which went on-stream in May, 1971. Producing operations at Minnehik-Buck Lake were shut-down for 48 days during the year due to a fire at the plant. The shut-down reduced production volumes, but most of the revenue loss was covered by insurance. During the month of December, 1971, the Company's gas production averaged 36 million cubic feet per day.

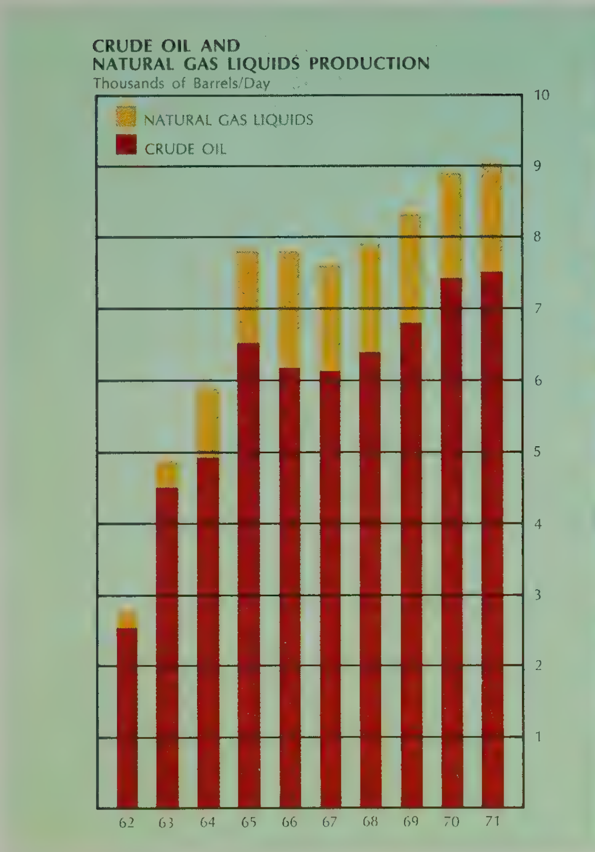
Gas sales are expected to be higher in 1972. The enlarged Minnehik-Buck Lake plant will be in operation for the full year and production will begin from new wells at Minnehik, Crossfield and Bigoray.

New facilities, including waterflood for the oil pool, are being installed at Harmattan-Elkton and gas sales are expected to begin in late 1972 or early 1973. The new installations will cost approximately $8 million and the initial production rate, only a small part of the field's potential, will be about 40 million cubic feet per day. These facilities are being built to include a peak shaving service, for which a premium over and above the gas sales price will be received. The Company's share in the capital investment and sales is 7.5 percent.

An application to commence gas sales from the nearby Harmattan East Pool has also been made. As the Company's interest in this pool is 16 percent, Harmattan East sales will result in significantly greater revenue than Harmattan-Elkton.

The average price obtained for gas in 1971 was 18.8 cents per thousand cubic feet as compared to 18.5 cents in 1970. A major break-through in gas pricing occurred late in the year when, by arbitration, producers in the Calgary-Crossfield area were awarded a gas price increase of approximately 25 percent.

Sulphur production totalled 15,400 long tons and sales amounted to 10,500 long tons. Revenue from sulphur sales continued to decline due to an oversupply in world markets.



Pembina field worker checks gas metering equipment.

1971 NET PRODUCTION

	Crude Oil (Barrels)	Natural Gas Liquids (Barrels)	Natural Gas (Millions of Cubic Feet)	REVENUE Amount	REVENUE Percent of Total
ALBERTA					
Bigoray	129,000	–	79	$ 344,000	3%
Calgary - Crossfield	–	62,000	1,938	572,000	5
Hamilton Lake	84,000	–	–	215,000	2
Harmattan	145,000	388,000	*	1,394,000	13
Minnehik - Buck Lake	–	81,000	5,031	1,419,000	13
Mitsue	83,000	5,000	35	259,000	2
Pembina	1,349,000	19,000	476	3,800,000	34
Turner Valley	73,000	5,000	189	228,000	2
Other Areas	311,000	16,000	2,463	1,393,000	13
SASKATCHEWAN					
Butte	129,000	–	–	290,000	3
Steelman	110,000	–	–	322,000	3
Weyburn	88,000	–	–	223,000	2
Other Areas	122,000	–	–	344,000	3
Royalty Interests	103,000	–	–	243,000	2
	2,726,000	576,000	10,211	$11,046,000	100%

*Gas is being reinjected after the extraction of liquids.


ROMULUS Drilling
Beaufort Sea
PRUDHOE BAY
OLD CROW 827,000 Net Acres
ARCTIC PIPELINE ROUTES UNDER CONSIDERATION
Mackenzie Delta
HORTON RIVER Option Acreage
Mineral Claims
Pacific Ocean
Mineral Claims
PANNY Drilling
COPTON Drilling
ATHABASCA TAR SANDS
Hudson
EDMONTON
DRUMHELLER and JENNER Producing Properties Purchased Near Year-end
JAMES RIVER Drilling
VANCOUVER
VICTORIA
CALGARY
HARMATTAN-ELKTON Gas Sales to Commence 1973
SASKATOON
REGINA
WINNIPEG


ELLESMERE ACREAGE
Newly Acquired
3,458,000 Acres
ACREAGE HOLDINGS
GREAT PLAINS' LAND HOLDINGS
100 50 0 100 200 300
MILES
GASPÉ
Drilling
OTTAWA
MONTREAL
HALIFAX
Atlantic Ocean

RESERVES

The Company's total net reserves increased during the year with gains attributable to a property acquisition, enhanced secondary recovery projects and drilling. Additional reserves of crude oil and natural gas liquids totalled 6,051,000 barrels as compared to production of 3,302,000 barrels for a net reserve increase of 2,749,000 barrels or 5 percent. Additions to natural gas reserves totalled 59,211 million cubic feet while production was 10,211 million cubic feet providing a net gain of 49,000 million cubic feet or 13 percent.

Since discovering the Harmattan Mississippian fields in 1956 the Company has been prohibited from selling gas from this area in order to maintain and improve recovery in the associated oil pools. Approval has now been received to commence some sales of gas from the Harmattan-Elkton pool. The Harmattan area contains 39 percent of the Company's total gas reserves.

Life of the Company's proved and probable reserves at current rates of production is 17 years for crude oil, 21 years for natural gas liquids and 41 years for natural gas.

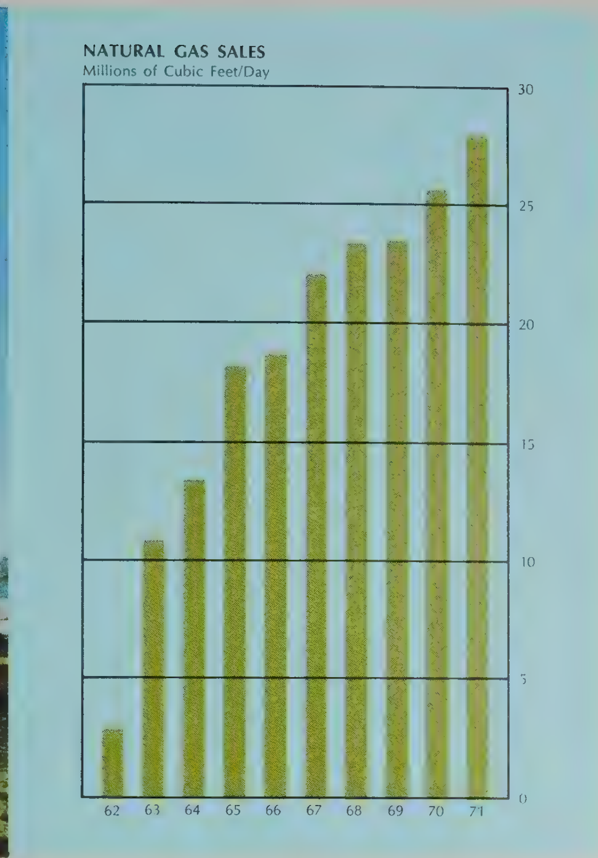
Great Plains' net reserves, after deducting all royalties and working interests of others, are shown in the accompanying table. Heavy oil reserves at Cold Lake and in the Athabasca Tar Sands are not included in these figures.

NET RESERVES – After Royalties

December 31st, 1971

	Crude Oil (Barrels)	Natural Gas Liquids (Barrels)	Natural Gas (Millions of Cubic Feet)	Sulphur (Long Tons)
Proved	37,220,000	11,418,000	375,000	366,000
Probable	8,814,000	721,000	41,000	9,000
Total	46,034,000	12,139,000	416,000	375,000

Essentially all of the above proved reserves are developed by present wells.



New construction at Minnehik-Buck Lake increased gas plant capacity by approximately 50 percent.

Gas sales at Harmattan-Elkton are expected to begin in late 1972 or early 1973.

FINANCIAL REVIEW

Revenue

In 1971 the upward trend continued for the fifth consecutive year, with revenue reaching a new high of $11,659,000. This is an increase of $937,000 or 9 percent over the previous year. The gain resulted from higher crude prices and increased gas production, partially offset by a decrease in investment income due to lower yields.

Cash Generated

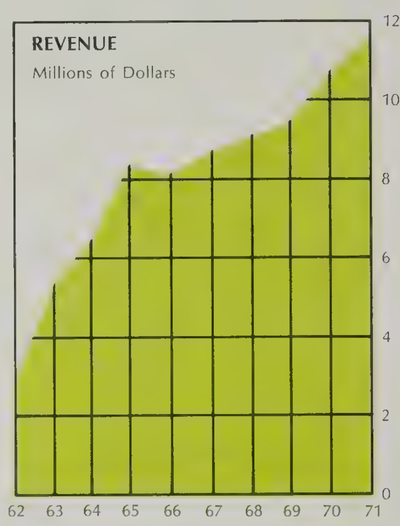
Cash generated from operations totalled $8,263,000 or $2.58 a share. This is an 8 percent increase over the comparable amount of $7,675,000 in 1970.

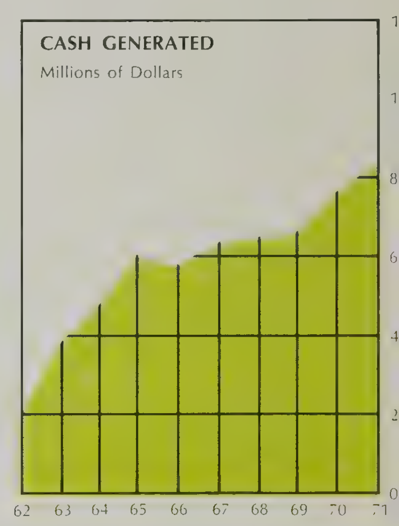
Net Earnings and Dividends

Net earnings in 1971, after provision for deferred income taxes, reached a record level of $4,374,000 or $1.37 a share. This is up from $4,225,000 or $1.32 a share in the previous year. A dividend of 40 cents a share was declared payable on January 7, 1972, to shareholders of record on December 7, 1971. Depletion on dividend income, formerly allowed to Canadian shareholders, is not available under the new tax legislation.

Capital Expenditures

Capital expenditures in 1971 amounted to $12,157,000, an increase of $3,028,000 over 1970. This increase is due to the acquisition of certain producing properties including those in the Drumheller and Jenner areas for $2,538,000. The accompanying table gives a comparative breakdown of the capital expenditures for 1971 and 1970.





CAPITAL EXPENDITURES

	1971	1970
Oil and Gas Exploration		
Land acquisitions and rentals	**$ 1,002,000**	$ 1,245,000
Drilling	**1,640,000**	1,695,000
Geological, geophysical and other	**1,110,000**	1,564,000
	3,752,000	4,504,000
Mining Exploration	**798,000**	842,000
Total Exploration	**4,550,000**	5,346,000
Development		
Drilling	**725,000**	1,143,000
Plant, production and other equipment	**1,985,000**	1,535,000
Proven property acquisitions, engineering and other	**4,897,000**	1,105,000
	7,607,000	3,783,000
Total Capital Expenditures	**$12,157,000**	$ 9,129,000

CONSOLIDATED STATEMENT OF EARNINGS

	Year ended December 31, 1971	1970
REVENUE		
Production	**$11,046,000**	$ 9,887,000
Interest, dividends and other	**613,000**	835,000
	11,659,000	10,722,000
EXPENSE		
Operating	**3,034,000**	2,599,000
General and administrative	**359,000**	248,000
Interest	**3,000**	200,000
	3,396,000	3,047,000
CASH GENERATED FROM OPERATIONS	**8,263,000**	7,675,000
Provision for depletion	**2,520,000**	2,177,000
Provision for depreciation	**597,000**	528,000
	3,117,000	2,705,000
NET EARNINGS BEFORE PROVISION FOR DEFERRED INCOME TAXES	**5,146,000**	4,970,000
Provision for deferred income taxes (Note 4)	**772,000**	745,000
NET EARNINGS	**$ 4,374,000**	$ 4,225,000
Net earnings per share	**$ 1.37**	$ 1.32

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended December 31, 1971	1970
BALANCE at beginning of year	**$24,249,000**	$21,303,000
Net earnings	**4,374,000**	4,225,000
	28,623,000	25,528,000
Dividend declared	**1,281,000**	1,279,000
BALANCE at end of year	**$27,342,000**	$24,249,000

CONSOLIDATED BALANCE SHEET

ASSETS

	December 31, 1971	December 31, 1970
CURRENT ASSETS		
Cash	$ 97,000	$ 90,000
Short-term investments, at cost, which approximates market	7,766,000	8,766,000
Accounts receivable	3,342,000	4,050,000
Inventories – at lower of cost or realizable value	140,000	256,000
	11,345,000	13,162,000
PROPERTY, PLANT AND EQUIPMENT (Note 1)		
Petroleum, natural gas and mineral properties including exploration and development thereof	77,641,000	67,758,000
Plant, production and other equipment	16,016,000	14,417,000
	93,657,000	82,175,000
Less: Accumulated depletion and depreciation (Note 5)	28,091,000	25,530,000
	65,566,000	56,645,000
OTHER ASSETS		
Prepaid expenses and sundry deposits	249,000	220,000
Investment in pipeline companies, at cost	11,000	11,000
	260,000	231,000
	$77,171,000	$70,038,000

LIABILITIES

	December 31, 1971	December 31, 1970
CURRENT LIABILITIES		
Accounts payable and accrued charges	**$ 5,347,000**	$ 2,917,000
Dividend payable	**1,281,000**	1,279,000
Due to affiliated company	**5,495,000**	4,706,000
	12,123,000	8,902,000
INTEREST-FREE LOANS FROM GAS PURCHASER	**3,360,000**	3,360,000
DEFERRED INCOME TAXES (Note 4)	**6,519,000**	5,747,000

SHAREHOLDERS' EQUITY

	1971	1970
CAPITAL STOCK (Note 2)		
Authorized		
6,000,000 shares of $1 par value		
Issued		
3,201,664 shares (1970 – 3,197,914)	**3,202,000**	3,198,000
CONTRIBUTED SURPLUS (Note 2)	**24,625,000**	24,582,000
RETAINED EARNINGS	**27,342,000**	24,249,000
	55,169,000	52,029,000
	$77,171,000	$70,038,000

On behalf of the Board:

D. Mitchell Director

R. F. Buchanan Director

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

	Year ended December 31, 1971	1970
FUNDS WERE OBTAINED FROM:		
Revenue	**$11,659,000**	$10,722,000
Less: Operating, general and administrative and interest expenses	**3,396,000**	3,047,000
Cash generated from operations	**8,263,000**	7,675,000
Issuance of capital stock	**47,000**	31,000
Increase in loans from gas purchaser	–	2,848,000
Sale of property interests	**119,000**	31,000
	8,429,000	10,585,000
FUNDS WERE USED FOR:		
Exploration	**4,550,000**	5,346,000
Development	**7,607,000**	3,783,000
Reduction of bank loans	–	2,909,000
Dividend declared	**1,281,000**	1,279,000
Miscellaneous	**29,000**	(18,000)
	13,467,000	13,299,000
DECREASE IN WORKING CAPITAL	**$ 5,038,000**	$ 2,714,000

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Great Plains Development Company of Canada, Ltd. and subsidiaries as at December 31, 1971 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the Companies as at December 31, 1971 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
January 25, 1972

(Signed) RIDDELL, STEAD & CO.
Chartered Accountants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Policies

The consolidated financial statements include the accounts of Great Plains Development Company of Canada, Ltd. and its subsidiary Companies, all of which are wholly owned. The excess of the consideration paid for the shares of purchased subsidiaries over their net book values at the dates of acquisition is included in property, plant and equipment in the consolidated balance sheet, and additional depletion provided accordingly.

The Companies follow the full-cost method of accounting wherein all costs relative to the exploration for and the development of oil, gas and related reserves and other minerals are capitalized. Such costs include acquisition costs, geological and geophysical expense, carrying charges of non-producing properties, costs of drilling both productive and unproductive wells, production equipment and gas facilities, mineral exploration costs, and all technical and administrative overhead directly associated with these functions. Proceeds received from disposal of properties are credited against such costs. These net costs are amortized on the composite unit of production method based on total estimated proved developed reserves.

2. Capital Stock

At December 31, 1971, 80,200 shares of capital stock are reserved for issuance under an Incentive Stock Option Plan, of which options have been granted to employees, including officers, to purchase 45,200 shares at prices ranging from $9.90 to $23.85 per share. These options are exercisable cumulatively in four equal installments commencing one year after date of option and will expire on or before May 19, 1975. During 1971, 3,750 shares were issued for a consideration of $47,140, of which $3,750 has been credited to capital stock, and the balance of $43,390 to contributed surplus.

3. Commitments

Under the terms of an agreement between the Company, Barber Oil Corporation and Noranda Mines Limited, the Company has agreed to expend $3,000,000 per year for at least each of the next two years as its proportionate share of a joint exploration program in Canada. Such exploration operations are being conducted in the name of Northern Oil Explorers Ltd. on behalf of the above participants.

4. Income Taxes

Under Canadian income tax law, exploration and development expenditures, including costs of oil and gas rights, may be deducted from income and any excess may be carried forward to subsequent years. In addition, capital cost allowances which are in excess of the depreciation recorded in the accounts may be claimed. As a result of claiming the maximum amounts allowed, no income taxes have been paid by any of the Companies to date, and as at December 31, 1971, the Companies have unused deductions of $3,100,000 of exploration and development costs, and $4,070,000 of capital cost allowance available to apply against future taxable income.

In determining reported net earnings, the Companies provide for deferred income taxes. Although the utilization of maximum available tax credits eliminates any current income tax liability, it will result in the payment of higher taxes in the future when recorded charges exceed those available for tax purposes. Directly influencing the timing and extent of this future liability, however, are additional deductions available from continuing exploration and development investment which initially result in further deferment of any tax liability and thereafter materially reduce the annual amount of taxes actually payable. For these reasons deferred taxes have been provided for at rates less than those in effect under present taxation legislation, but which, it is estimated, should adequately provide for all income taxes payable by the Companies for the period from inception into the foreseeable future. Such amounts are credited to "Deferred Income Taxes" and will be taken into earnings of future years as and when income taxes payable are in excess of then current provisions. If the Companies had provided for deferred taxes on the basis of full tax rates for all timing differences between taxable income and reported earnings, such provisions would have been increased by approximately $1,080,000 ($1,030,000 in 1970) and cumulative deferred income taxes would have been approximately $9,800,000 greater.

5. Statutory Information

(a) During 1971 the Company and its subsidiaries paid remuneration of $19,290 to the Company's thirteen Directors in their capacity as Directors and remuneration of $125,250 to the Company's four Officers in their capacity as Officers. Two of the Officers are also Directors of the Company.

(b) Accumulated depletion and depreciation as at December 31, 1971 is as follows:

Depletion of petroleum and natural gas properties	$24,101,000
Depreciation of plant, production and other equipment	3,990,000
	$28,091,000

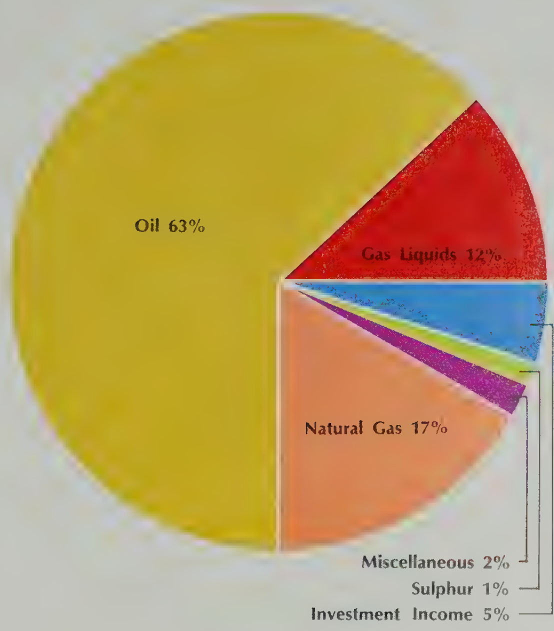
TEN-YEAR FINANCIAL SUMMARY

		1971	1970	1969	1968	1967
Gross Revenue – thousands						
Crude oil	$	**7,460**	6,769	6,079	5,602	5,404
Natural gas liquids	$	**1,456**	1,260	1,269	1,490	1,515
Natural gas	$	**2,040**	1,737	1,540	1,550	1,488
Sulphur	$	**90**	121	298	429	413
Interest, dividends and other	$	**613**	835	247	31	32
Gross revenue	$	**11,659**	10,722	9,433	9,102	8,852
Cash Generated and Earnings						
Cash generated from operations – thousands	$	**8,263**	7,675	6,584	6,522	6,380
Per share	$	**2.58**	2.40	2.06	2.04	2.00
Net earnings before deferred income taxes – thousands	$	**5,146**	4,970	4,278	3,891	3,852
Per share	$	**1.61**	1.55	1.34	1.21	1.21
Net earnings after deferred income taxes – thousands	$	**4,374**	4,225	3,636	3,307	3,274
Per share	$	**1.37**	1.32	1.14	1.04	1.02
Dividends and Stock						
Dividends paid – thousands	$	**1,281**	1,279	1,278	1,278	1,278
Per share		**40c**	40	40	40	40
Shares outstanding at year end		**3,201,664**	3,197,914	3,195,614	3,194,739	3,194,364
Number of shareholders		**1,840**	2,018	1,972	2,071	2,231
Market price range per share	$	**37–29**	33–16	40–21	29–15	23–11
Assets, Liabilities and Shareholders' Equity – thousands						
Working capital	$	**(778)**	4,260	6,974	903	667
Net property, plant and equipment	$	**65,566**	56,645	50,251	54,147	51,282
Other assets	$	**260**	231	249	341	244
Total net assets	$	**65,048**	61,136	57,474	55,391	52,193
Long-term debt	$	**–**	–	2,909	4,349	3,768
Interest-free loans from gas purchaser	$	**3,360**	3,360	512	–	–
Deferred income taxes	$	**6,519**	5,747	5,002	4,361	3,777
Shareholders' equity	$	**55,169**	52,029	49,051	46,681	44,648
Shareholders' equity per share	$	**17.23**	16.27	15.35	14.61	13.98
Capital Expenditures – thousands						
Oil and gas exploration	$	**3,752**	4,504	4,388	3,049	3,249
Mining exploration	$	**798**	842	584	383	188
Development	$	**7,607**	3,783	2,671	2,351	2,267
Company acquisitions for cash	$	**–**	–	–	–	–
Total capital expenditures	$	**12,157**	9,129	7,643	5,783	5,704

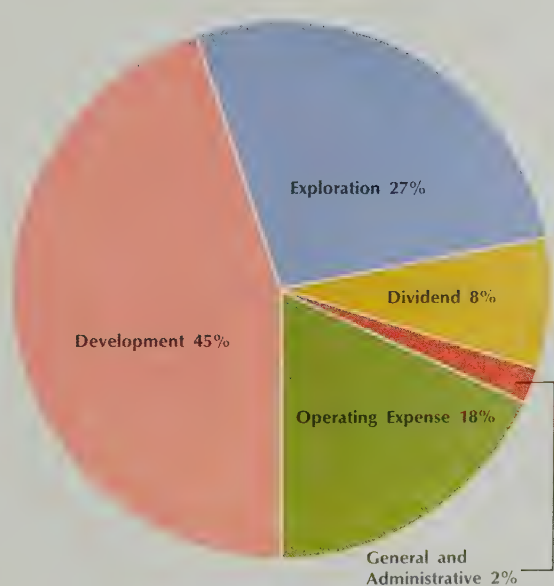
1966	1965	1964	1963	1962
5,478	5,694	4,367	3,913	2,273
1,337	1,294	977	484	253
1,213	1,161	869	724	187
123	114	6	–	–
14	48	308	290	220
8,165	8,311	6,527	5,411	2,933
5,783	6,098	4,918	3,947	2,114
1.83	1.93	1.63	1.32	1.58
3,307	3,526	3,141	2,678	1,499
1.05	1.12	1.04	0.89	1.12
2,811	2,997	2,670	2,276	1,274
0.89	0.95	0.88	0.76	0.95
1,103	1,103	907	–	–
35	35	30	–	–
51,864	3,151,864	3,023,064	3,001,314	1,341,092
2,350	2,195	1,918	1,958	2,319
14–10	14–10	14–10	15–11	15–9
608	(321)	1,999	9,102	6,884
49,326	46,837	37,106	32,310	14,593
232	216	367	268	109
50,166	46,732	39,472	41,680	21,586
4,778	3,549	–	4,656	4,940
–	–	–	–	–
3,199	2,703	2,174	1,703	1,228
42,189	40,480	37,298	35,321	15,418
13.39	12.84	12.34	11.77	11.50
3,167	1,463	1,327	2,115	1,415
117	39	–	–	–
2,258	2,018	939	2,211	620
–	8,597	4,568	–	–
5,542	12,117	6,834	4,326	2,035

1971 FUNDS

Source



Application



TEN-YEAR OPERATING SUMMARY

	1971	1970	1969	1968	1967
Production					
Crude oil – thousands of barrels	**2,726**	2,713	2,465	2,296	2,226
Natural gas liquids – thousands of barrels	**576**	540	564	594	557
Total – thousands of barrels	**3,302**	3,253	3,029	2,890	2,783
Daily average – thousands of barrels	**9.0**	8.9	8.3	7.9	7.6
Value of net production – thousands $	**8,916**	8,029	7,348	7,092	6,919
Average price per barrel $	**2.69**	2.47	2.43	2.45	2.45
Natural gas – millions of cubic feet	**10,211**	9,379	8,581	8,539	8,063
Daily average	**28.0**	25.7	23.5	23.4	22.1
Value of net production – thousands $	**2,040**	1,737	1,540	1,550	1,488
Average price per thousand cubic feet	**18.8c**	18.5	18.0	18.2	18.5
Sulphur – Production – long tons	**15,400**	17,000	16,040	18,400	13,400
– Sales – long tons	**10,500**	11,900	12,700	11,500	11,200
Value of sales – thousands $	**90**	121	298	429	413
Average price per long ton $	**8.57**	10.18	23.46	37.33	36.89
Reserves – Proved and Probable (1)					
Crude oil – thousands of barrels	**46,034**	44,000	41,213	40,976	41,683
Natural gas liquids – thousands of barrels	**12,139**	11,424	10,809	11,262	11,058
Natural gas – millions of cubic feet	**416,000**	367,000	327,000	313,000	360,000
Sulphur – thousands of long tons	**375**	380	394	408	473
Properties – thousands of acres					
Oil and gas rights – gross	**19,431**	16,374	14,203	14,519	11,113
– net	**8,268**	5,867	5,405	7,740	6,753
Other minerals rights – gross	**120**	945	2,087	1,698	344
– net	**104**	553	1,041	890	235
Net Wells					
Oil	**313**	309	305	294	281
Gas	**59**	48	42	40	36
Number of Employees	**135**	135	124	113	108

(1) Proved reserves only for years 1962 to 1965 inclusive.

1966	1965	1964	1963	1962
2,247	2,338	1,788	1,593	914
587	511	388	182	97
2,834	2,849	2,176	1,775	1,011
7.8	7.8	5.9	4.9	2.8
6,815	6,988	5,344	4,397	2,526
2.41	2.45	2.46	2.48	2.50
6,818	6,656	4,902	3,970	1,068
18.7	18.2	13.4	10.9	2.9
1,213	1,161	869	724	187
17.8	17.6	17.7	18.0	17.5
7,500	9,600	700	–	–
6,900	8,900	700	–	–
123	114	6	–	–
17.79	12.75	8.64	–	–
9,833	29,012	20,594	20,068	11,167
9,679	9,924	9,698	8,905	8,896
1,000	323,000	310,000	269,000	189,000
485	380	306	–	–
0,586	9,014	8,029	5,698	2,044
7,972	6,672	6,035	4,239	1,638
290	–	–	–	–
217	–	–	–	–
280	284	196	189	80
32	32	31	27	14
106	94	94	81	60

GREAT PLAINS DEVELOPMENT COMPANY OF CANADA, LTD.

Incorporated under the laws of Canada in March, 1950

DIRECTORS

Norman J. Alexander
Winnipeg, Manitoba
Managing Partner,
Richardson Securities of Canada.

William A. Arbuckle
Montreal, Quebec
Chairman, Canadian Board of
The Standard Life Assurance Company.

T. Howard Atkinson
Montreal, Quebec
Retired – Formerly Vice-President and General Manager,
The Royal Bank of Canada.

Robert F. Buchanan
Calgary, Alberta
Financial Vice-President of the Company.

J. Desmond Dewhurst
London, England
Director,
The Burmah Oil Company Limited.

Ranald H. Macdonald
New York, N.Y.
Consultant,
Dominick & Dominick, Incorporated.

John K. McCausland
Toronto, Ontario
Retired – Formerly Vice-President and Director,
Wood Gundy Limited.

David E. Mitchell
Calgary, Alberta
President of the Company.

Frederick L. Moore
New York, N.Y.
Vice-President,
Kidder, Peabody & Co. Inc.

John F. Strain
London, England
Director,
The Burmah Oil Company Limited.

H. Robert Tainsh
London, England
Assistant Managing Director,
The Burmah Oil Company Limited.

Nicholas J. D. Williams
London, England
Managing Director,
The Burmah Oil Company Limited.

OFFICERS

David E. Mitchell
President

Robert F. Buchanan
Financial Vice-President

Dennis H. Scott
Secretary

Edward A. Earle
Treasurer

Principal Subsidiary Companies

Great Plains Oil & Gas Ltd.
Great Plains Petroleums Limited
Great Plains Resources Ltd.
Northern Oil Explorers Ltd.
Canada Oil Lands Co. Ltd.

Registrars and Transfer Agents

Montreal Trust Company
Montreal, Toronto, Winnipeg, Regina, Calgary, Vancouver

The Bank of New York
New York, N.Y.

Auditors

Riddell, Stead & Co.
Chartered Accountants,
Calgary, Alberta

Stock Listed

Toronto Stock Exchange
Toronto, Ontario

Head Office

736 - 8th Avenue S.W.,
Calgary 2, Alberta

GREAT PLAINS DEVELOPMENT COMPANY OF CANADA, LTD. ANNUAL REPORT 1971

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